

Pinal County Community College District
(Central Arizona College)

Single Audit Reporting Package

June 30, 2001

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(Central Arizona College)
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June 30, 2001

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(1931 - 1992)

Independent Auditor's Report

The Auditor General of the State of Arizona

The Governing Board of
Pinal County Community College District

We have audited the accompanying balance sheet of Pinal County Community College District as of June 30, 2001, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Pinal County Community College District as of June 30, 2001, and the changes in its fund balances and its current funds revenues, expenditures, and other changes for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of Pinal County Community College District taken as a whole. The accompanying schedule of expenditures of federal awards listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Miller, Allen & Co., P.C.

November 30, 2001

Pinal County Community College District
(Central Arizona College)
Balance Sheet
June 30, 2001

	Current Funds				Loan Fund	Plant Funds			Agency Fund
	Unrestricted		Restricted	Total Current Funds		Unexpended	Retirement of Indebtedness	Investment in Plant	
	General	Auxiliary Enterprises							
Assets									
Cash and cash equivalents	\$ 531,723	\$ 14,000	\$ 772,933	\$ 1,318,656	\$ 12,964	\$ 1,371,755	\$ 545,315		\$ 364,750
Cash and investments held by trustees							2,133,723		
Receivables:									
Property taxes (net of allowances)	1,226,003			1,226,003			25,999		
Government grants and contracts			370,987	370,987					
Other (net of allowances)	552,451	330,980		883,431	58,276	48	6,636		23,151
Due from other funds	1,154,288	20,000	44,630	1,218,918		520,000			
Inventories	48,927	311,955		360,882					
Property, buildings, and equipment:									
Land and improvements							\$ 2,545,147		
Buildings							40,256,482		
Equipment							16,434,405		
Library books							1,532,766		
Total assets	\$ 3,513,392	\$ 676,935	\$ 1,188,550	\$ 5,378,877	\$ 71,240	\$ 1,891,803	\$ 2,711,673	\$ 60,768,800	\$ 387,901

(Continued)

See accompanying notes to financial statements

Pinal County Community College District
(Central Arizona College)
Balance Sheet
June 30, 2001
(Continued)

	Current Funds				Loan Fund	Plant Funds			Agency Fund
	Unrestricted		Restricted	Total Current Funds		Unexpended	Retirement of Indebtedness	Investment in Plant	
	General	Auxiliary Enterprises							
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 183,492	\$ 109,236	\$ 29,287	\$ 322,015		\$ 178,507			
Accrued payroll and related expenses	1,889,527	98,608	35,570	2,023,705					
Insurance claims payable	127,950			127,950					
Deposits held in custody for others									\$ 387,901
Due to other funds	564,631	892,370	76,530	1,533,531	\$ 1,629	203,758			
Interest payable							\$ 522,087		
Pledged revenue obligations payable							710,000	\$ 10,510,000	
Bonds payable							745,000	9,025,000	
Installment purchase contracts payable								685,000	
Deferred revenue							74,566		
Total liabilities	<u>2,765,600</u>	<u>1,100,214</u>	<u>141,387</u>	<u>4,007,201</u>	<u>1,629</u>	<u>382,265</u>	<u>2,051,653</u>	<u>20,220,000</u>	<u>387,901</u>
Fund balances (deficits):									
Restricted – general			1,047,163	1,047,163	69,611	1,509,538	660,020		
Unrestricted – general	747,792	(423,279)		324,513					
Net investment in plant								40,548,800	
Total fund balances (deficits)	<u>747,792</u>	<u>(423,279)</u>	<u>1,047,163</u>	<u>1,371,676</u>	<u>69,611</u>	<u>1,509,538</u>	<u>660,020</u>	<u>40,548,800</u>	
Total liabilities and fund balances	<u>\$ 3,513,392</u>	<u>\$ 676,935</u>	<u>\$ 1,188,550</u>	<u>\$ 5,378,877</u>	<u>\$ 71,240</u>	<u>\$ 1,891,803</u>	<u>\$ 2,711,673</u>	<u>\$ 60,768,800</u>	<u>\$ 387,901</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Changes in Fund Balances
Year Ended June 30, 2001

	Current Funds				Loan Fund	Plant Funds		
	Unrestricted		Restricted	Total Current Funds		Unexpended	Retirement of Indebtedness	Investment in Plant
	General	Auxiliary Enterprises						
Revenues and other additions:								
Unrestricted current revenues	\$ 23,429,587	\$ 3,911,219		\$ 27,340,806				
Property taxes						\$ 520,000	\$ 296,826	
State appropriations						662,600		
Government grants and contracts			\$ 4,654,269	4,654,269			78,990	
Private gifts, grants and contracts			151,321	151,321		50,000		
Investment income						100,699	35,816	
Expended for plant facilities (including \$237,911 of expenditures charged to current funds)								\$ 1,807,801
Retirement of indebtedness								1,455,000
Total revenues and other additions	<u>23,429,587</u>	<u>3,911,219</u>	<u>4,805,590</u>	<u>32,146,396</u>		<u>1,333,299</u>	<u>411,632</u>	<u>3,262,801</u>
Expenditures and other deductions:								
Educational and general expenditures	21,156,133		3,931,850	25,087,983				
Auxiliary enterprises expenditures		4,295,581	13,867	4,309,448				
Administrative and collection costs					\$ 165		1,926	
Expended for plant facilities						1,569,890		
Retirement of indebtedness							1,455,000	
Interest on indebtedness							1,040,708	
Total expenditures and other deductions	<u>21,156,133</u>	<u>4,295,581</u>	<u>3,945,717</u>	<u>29,397,431</u>	<u>165</u>	<u>1,569,890</u>	<u>2,497,634</u>	
Transfers among funds - additions (deductions):								
Mandatory transfers for:								
Principal and interest	(2,121,152)			(2,121,152)		(42)	2,121,194	
College matching portion of government grants	(65,141)		65,141					
Total mandatory transfers	<u>(2,186,293)</u>		<u>65,141</u>	<u>(2,121,152)</u>		<u>(42)</u>	<u>2,121,194</u>	
Nonmandatory transfers (net)	132,520			132,520		(132,520)		
Total transfers	<u>(2,053,773)</u>		<u>65,141</u>	<u>(1,988,632)</u>		<u>(132,562)</u>	<u>2,121,194</u>	
Net increase (decrease) for the year	219,681	(384,362)	925,014	760,333	(165)	(369,153)	35,192	3,262,801
Fund balances (deficits), July 1, 2000	528,111	(38,917)	122,149	611,343	69,776	1,878,691	624,828	37,285,999
Fund balances (deficits), June 30, 2001	<u>\$ 747,792</u>	<u>\$ (423,279)</u>	<u>\$ 1,047,163</u>	<u>\$ 1,371,676</u>	<u>\$ 69,611</u>	<u>\$ 1,509,538</u>	<u>\$ 660,020</u>	<u>\$ 40,548,800</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Current Funds Revenues, Expenditures, and Other Changes
Year Ended June 30, 2001

	Unrestricted		Restricted	Total Current Funds
	General	Auxiliary Enterprises		
Revenues:				
Property taxes	\$ 13,585,699			\$ 13,585,699
State appropriations	6,165,100			6,165,100
Government grants and contracts			\$ 3,729,255	3,729,255
Private gifts, grants, and contracts			151,321	151,321
Tuition and fees	3,102,823	\$ 1,964,529		5,067,352
Investment income	149,074			149,074
Bookstore sales		1,197,669		1,197,669
Food services sales		115,779		115,779
Dormitory rentals		468,266		468,266
Administrative fees	359,803			359,803
Other	67,088	164,976		232,064
Total revenues	23,429,587	3,911,219	3,880,576	31,221,382
Expenditures and mandatory transfers:				
Educational and general expenditures:				
Instruction	9,956,191		1,459,347	11,415,538
Academic support	1,841,589		125,610	1,967,199
Student services	1,467,463		202,485	1,669,948
Institutional support (administration)	4,631,774		100,328	4,732,102
Operation and maintenance of plant	3,051,004		7,376	3,058,380
Public service	64,579			64,579
Scholarships	143,533		2,036,704	2,180,237
Total educational and general expenditures	21,156,133		3,931,850	25,087,983
Auxiliary enterprises expenditures		4,295,581	13,867	4,309,448
Total expenditures	21,156,133	4,295,581	3,945,717	29,397,431
Mandatory transfers for:				
Principal and interest	2,121,152			2,121,152
College matching portion of government grants	65,141		(65,141)	
Total mandatory transfers	2,186,293		(65,141)	2,121,152
Total expenditures and mandatory transfers	23,342,426	4,295,581	3,880,576	31,518,583
Other transfers and additions (deductions):				
Excess of restricted receipts over transfers to revenues			925,014	925,014
Nonmandatory transfers (net)	132,520			132,520
Net increase (decrease) in fund balances	\$ 219,681	\$ (384,362)	\$ 925,014	\$ 760,333

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2001

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Pinal County Community College District conform to generally accepted accounting principles as applied to governmental colleges and universities in the AICPA College Guide model as defined in Governmental Accounting Standards Board Statement No. 15. A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

The financial activities of the Central Arizona College Foundation are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The Foundation's goals are to promote educational programs and District objectives.

B. Fund Accounting

The District's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the District's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, financial transactions are reported by fund groups as if each fund group was a single fund. A description of the funds follows.

The *Current Funds* account for resources that will be expended in the near term for operating purposes in performing the District's primary and support missions, which are instruction, academic support, student services, institutional support, operation and maintenance of plant, public service, scholarships, and auxiliary enterprises. The individual Current Funds are described more fully as follows:

The General Fund accounts for all current financial resources not required to be accounted for in the other Current Funds.

The Auxiliary Enterprises Fund accounts for transactions of substantially self-supporting auxiliary activities that perform services primarily to students, faculty, and staff, such as bookstores, food services, dormitories, and intercollegiate athletics.

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The Restricted Fund accounts for resources that are expended only for operating purposes specified by donors or other outside agencies. The Restricted Fund's revenues are reported in the statement of current funds revenues, expenditures, and other changes only to the extent of expenditures and net mandatory transfers. Amounts received in excess of expenditures and net mandatory transfers are reported as additions to the fund balance during the year, and may be subject to repayment if not expended.

The *Loan Fund* accounts for loans and resources available for loans to students, faculty, and staff. The loans are financed primarily by private gifts and grants. Interest on student loans is recorded only when received.

The *Plant Funds* account for transactions relating to the District's investment in plant assets such as property, buildings, and equipment. The individual Plant Funds are described more fully as follows:

The Unexpended Plant Fund accounts for resources available to finance the District's acquisition, construction, or improvement of plant assets. Expenditures for construction in progress are accumulated in this fund until the project is completed or until the end of the fiscal year and then transferred to the Investment in Plant Fund. Resources restricted for renewals and replacements of existing District plant assets are also recorded in the Unexpended Plant Fund.

The Retirement of Indebtedness Plant Fund accounts for the accumulation of resources for payment of principal, interest, and other debt service charges, including contributions for sinking funds relating to debt incurred in financing District plant assets.

The Investment in Plant Fund accounts for the costs of the District's plant assets and the associated liabilities. Assets recorded in the Investment in Plant Fund may be acquired from resources in the Unexpended Plant, Auxiliary Enterprises, and Restricted Funds.

The *Agency Fund* accounts for resources held by the District as custodian or fiscal agent for students, faculty, staff, and other organizations; therefore, the transactions within this fund do not affect the statement of changes in fund balances.

C. Basis of Accounting

The financial statements are presented on the accrual basis of accounting. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not claim to present the results of operations, or the net income or loss for the period as would a statement of income, or a statement of revenues and expenses.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2001

D. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

The bookstore inventory is stated at cost by specific identification. All other inventories are stated at the lower of cost (first-in, first-out method) or market.

F. Property, Buildings, and Equipment

Property, buildings, and equipment are capitalized at cost if purchased, or estimated fair market value at the time received in the case of gifts. Major outlays for assets or improvements to them are capitalized as projects are constructed. Interest incurred during the construction phase of the project is capitalized net of interest earned on the invested proceeds over the same period.

To the extent that current fund monies are used to finance such assets, the amounts so provided are accounted for as expenditures in the case of normal acquisition or replacement of movable equipment and library books; mandatory transfers (transfers among funds resulting from legally binding agreements) in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; or nonmandatory transfers (transfers among funds made at the discretion of the Governing Board) in other cases.

Depreciation on buildings and equipment is not recorded.

G. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate unused vacation leave to a maximum amount which varies depending on their employee classification and years of service. Any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Generally, sick leave benefits provide for ordinary sick pay and are cumulative up to a maximum but do not vest with employees and therefore, are not accrued. However, for employees with 5 or more years of service, 50% of the unused sick leave benefits do vest at employee termination. Sick leave benefits are accrued to the extent it is probable that the employer will compensate employees through cash payments. Upon termination of employment, all unused and unforfeited vacation and sick leave benefits are paid to employees. Accordingly, these benefits are accrued as a liability in the financial statements.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2001

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Income earned from investments purchased with pooled monies is allocated monthly to each of the District's funds based on cumulative daily positive cash balances.

I. Summer Sessions

Summer sessions revenues and expenditures are reported in the General and Auxiliary Enterprise Funds within the fiscal year in which the total summer sessions program is predominantly conducted.

J. Financial Aid

When the District does not select the recipients for student financial aid, such awards are accounted for within the Agency Fund (except for Pell grants that are included in the Current Restricted Fund) and, consequently, are not included in the statement of changes in fund balances. During the year ended June 30, 2001, the District disbursed \$24,846 in such student awards, primarily for private scholarships.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) require the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer.

The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about those monies.

Deposits – The District's deposits at June 30, 2001, were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name.

Investments - At June 30, 2001, the District's investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$ 2,733,230
Mutual funds – invested in U.S. government securities	2,133,539
Total	\$ 4,866,769

The District's investment in the County Treasurer's investment pool represents a proportionate interest in that pool's portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The same is true for the District's investments in mutual funds. There is no regulatory oversight body provided for the County Treasurer's investment pool, and the pool's structure does not provide for shares.

Pinal County Community College District
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Notes to Financial Statements
June 30, 2001

A reconciliation of cash and investments to amounts shown on the balance sheet follows.

Cash and investments:		Balance Sheet:	
Cash on hand	\$ 19,220	Cash and cash equivalents	\$ 3,613,440
Carrying amount of deposits	861,174	Cash and investments held by trustees	2,133,723
Reported amount of investments	4,866,769		
Total	<u>\$ 5,747,163</u>	Total	<u>\$ 5,747,163</u>

Note 3 - Property Taxes Receivable

The Pinal County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due the District in August. Two equal installments, payable in October and March, become delinquent after the first business day in November and May. A lien assessed against real and personal property attaches on the first day of January preceding the assessment and levy.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2001, the uncollected property taxes and related allowances for uncollectibles were as follows:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Retirement of Indebtedness Plant Fund</u>
2000-01	\$ 595,930	\$ 11,590
Prior	679,719	15,382
	<u>1,275,649</u>	<u>26,972</u>
Less allowances for uncollectibles	(49,646)	(973)
Net total	<u>\$ 1,226,003</u>	<u>\$ 25,999</u>

Note 4 - Other Receivables

Other receivables are shown net of the related allowances for uncollectibles. A summary of other receivables and related allowances for uncollectibles at June 30, 2001, follows:

	<u>General Fund</u>	<u>Auxiliary Enterprises Fund</u>	<u>Loan Fund</u>	<u>Retirement of Indebtedness Plant Fund</u>	<u>Agency Fund</u>	<u>Unexpended Plant Fund</u>
Other receivables	\$ 574,822	\$ 412,790	\$ 86,030	\$ 6,636	\$ 23,151	\$ 48
Less allowances for uncollectibles	(22,371)	(81,810)	(27,754)	-	-	-
Total	<u>\$ 552,451</u>	<u>\$ 330,980</u>	<u>\$ 58,276</u>	<u>\$ 6,636</u>	<u>\$ 23,151</u>	<u>\$ 48</u>

Pinal County Community College District
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Notes to Financial Statements
June 30, 2001

Note 5 - Bonds Payable

Revenue Bonds Payable - The District's revenue bonds of June 1, 1973, were issued to provide monies to construct dormitories, a student union, and appurtenant facilities. The bonds are secured by revenues of the Auxiliary Enterprises Fund and are callable with interest payable semiannually. In accordance with the bond requirements, a repair and replacement reserve account is maintained with the bond trustee, and the accumulated balance is at the minimum requirement of \$50,000.

The District's revenue bonds of March 1, 1998, were issued to construct a student services building, a dormitory, a shipping and receiving facility, and a computer commons facility. The bonds are secured by tuition, student fees, and student rental revenue of the District and are callable with interest payable semiannually.

Principal and interest requirements at June 30, 2001, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal</u>
Revenue Bonds, Series of 1973	5.25 - 5.30%	7/1/01-04	\$ 70,000
Revenue Bonds, Series of 1998	4.75 - 6.50%	7/1/01-14	8,815,000
			<u>\$ 8,885,000</u>

Revenue bond debt service requirements to maturity, including \$4,204,131 of interest, are as follows:

Year ending June 30,	
2002	\$ 772,111
2003	772,058
2004	776,869
2005	775,396
2006	753,998
Thereafter	<u>9,238,699</u>
Total	<u>\$ 13,089,131</u>

General Obligation Bonds Payable - General obligation bonds payable at June 30, 2001, consisted of the outstanding general obligation bonds presented below. The bonds are generally noncallable with interest payable semiannually.

Principal and interest requirements at June 30, 2001, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal</u>
School Improvement Bonds, Series of 1972	.05 - 5.6%	7/1/01-02	<u>\$ 885,000</u>

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General obligation bond debt service requirements to maturity, including \$12,245 of interest, are as follows:

Year ending June 30,	
2002	\$ 437,130
2003	<u>460,115</u>
Total	<u>\$ 897,245</u>

Note 6 - Pledged Revenue Obligations Payable

The District's pledged revenue obligations of March 1, 1998, were issued to provide monies to construct a student services building, a shipping and receiving facility, a dormitory, and a computer commons facility. The obligations are secured by tuition, student fees, and student rental revenues of the District and are callable with interest payable semiannually.

Principal and interest requirements at June 30, 2001, were as follows:

Description	Interest Rate	Maturities	Outstanding Principal
Pledged Revenue Obligations Series of 1998	4.5 - 5.25%	7/1/01-12	<u>\$ 11,220,000</u>

Pledged revenue obligations debt service requirements to maturity, including \$3,695,743 of interest, are as follows:

Year ending June 30,	
2002	\$ 1,248,282
2003	1,250,545
2004	1,246,345
2005	1,244,468
2006	1,242,715
Thereafter	<u>8,683,388</u>
Total	<u>\$ 14,915,743</u>

Note 7 - Installment Purchase Contracts Payable

During the fiscal year 2000-01 the District entered into two installment purchase agreements for the acquisition of two parcels of vacant land adjoining the Superstition Mountain campus. The total purchase price of both properties was \$1,009,875. The future minimum payments required under the contracts at June 30, 2001, including interest at 10 percent, are as follows:

Pinal County Community College District
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Year ending June 30,		
	2002	\$ 526,968
	2003	<u>233,357</u>
Total minimum payments		760,325
Less amount representing interest		<u>75,325</u>
Present value of minimum payments		<u><u>\$ 685,000</u></u>

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In addition, the District finances uninsured risks of loss for certain health and eye care benefits to eligible employees and their dependents, which are accounted for in the General Fund. The health care plans provide coverage for claims up to \$45,000 for each individual not to exceed an annual stop loss of \$1,000,000. The District purchases commercial insurance for claims in excess of this health care coverage. The eye care plan offers substantially reduced prices for eye examinations and eyewear. Settled claims have not exceeded the District's coverage for either plan in any of the past three fiscal years. An independent administrator provides claim and recordkeeping services for the plans.

The insurance claims payable liability of \$127,950 reported on the balance sheet at June 30, 2001, is the estimated ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. This estimate is based on historical data for health and eye care insurance claims reported during the year, prior-year claims of continuing duration, and claims incurred but not reported as of June 30, 2001. Changes in the District's claims payable liability amounts for the years ended June 30, 2001 and 2000, were as follows:

	2000	2001
Claims payable, beginning of year	\$ 132,874	\$ 251,502
Current-year claims and changes in estimates	1,431,955	1,703,618
Net claim payments	<u>(1,313,327)</u>	<u>(1,827,170)</u>
Claims payable, end of year	<u><u>\$ 251,502</u></u>	<u><u>\$ 127,950</u></u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2001

Note 9 - Retirement Plan

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2001 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rate. For the year ended June 30, 2001, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2001, 2000, and 1999, were \$348,711, \$318,647, and \$364,590, respectively, which were equal to the required contributions for the year.

Note 10 - Subsequent Events

The District began construction in the subsequent fiscal year on an extension to the Peace Office Training Center, which will cost approximately \$1,500,000. The construction project is being funded by state and local grants.

Note 11 - Implementation of GASB Statement No. 35

Beginning with fiscal year 2002, the District will prepare its external financial reports following the requirements of GASB Statement No. 35, Basic Financial Statements— and Management's Discussion and Analysis—for Public Colleges and Universities. Implementing this standard will significantly change the accounting principles and reporting format used by the District in future financial reports.

Supplementary Information

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education			
Preparing Tomorrow's Teachers to Use Technology	84.342		\$ 325,376
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		46,372
Federal Work-Study Program	84.033		56,183
Federal Pell Grant Program	84.063		1,833,389
Annual Interest Grant	84.Unknown		74,566
Higher Education – Institutional Aid	84.031		190,119
Special Education – Personnel Preparation to Improve Services and Results	84.325		173,239
Passed through Arizona Department of Education Adult Education - State Grant Program	84.002	01SAEBS-170526-01A & 01FAEABE-170526-02A	100,000
Passed through State Board of Directors for Community Colleges Vocational Education - Basic Grants to States	84.048	30008/30108	195,706
Tech-Prep Education	84.243	00FVEDTP-070734-01A	6,000
Passed through Arizona Commission for Postsecondary Education Leveraging Educational Assistance Partnership	84.069	None	44,108
Total U.S. Department of Education			<u>3,045,058</u>
U.S. Department of Health and Human Services			
Passed through Arizona Department of Economic Security Child Development Associate Scholarships	93.614	E5401399	315,445
Child Care and Development Block Grant	93.575	E5400368	162,502
Total U.S. Department of Health and Human Services			<u>477,947</u>
U.S. Department of Justice			
Passed through Arizona Police Officers Standards and Training Board Police Corps	16.712	None	14,638
U.S. Small Business Administration			
Passed through Maricopa County Community College District Small Business Development Center	59.037	0-7620-0003-08 & 01-7620-0003-09	51,276
National Aeronautics and Space Administration			
Passed through Cuyahoga Community College SEMMA	43.Unknown	None	13,334
U.S. Department of Housing and Urban Development			
College Housing Debt Service Grant	14.Unknown		4,424
Total Expenditures of Federal Awards			<u>\$ 3,606,677</u>

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal County Community College District and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2001 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

Of the federal expenditures presented in the schedule, Pinal County Community College District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Child Development Associate Scholarships	93.614	\$ 52,248

MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Auditor General of the State of Arizona

The Governing Board of
Pinal County Community College District

We have audited the financial statements of Pinal County Community College District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Miller, Allen & Co., P.C.

November 30, 2001

MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Governing Board of
Pinal County Community College District

Compliance

We have audited the compliance of Pinal County Community College District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of Pinal County Community College District with the Preparing Tomorrow's Teachers to Use Technology program regarding matching, nor were we able to satisfy ourselves as to Pinal County Community College District's compliance with that requirement by other auditing procedures.

In our opinion, except for the effects on such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Pinal County Community College District's compliance with the requirements of the Preparing Tomorrow's Teachers to Use Technology program regarding matching, Pinal County Community College District complied, in

all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item **01-2**.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item **01-1**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item **01-1** to be a material weakness.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



November 30, 2001

Pinal County Community College District
 (Central Arizona College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2001

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		unqualified
		YES NO
Material weaknesses identified in internal control over financial reporting?	___	<u>X</u>
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u> (None reported)
Noncompliance material to the financial statements noted?	___	<u>X</u>

Federal Awards

Material weaknesses identified in internal control over major programs?	<u>X</u>	___
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u> (None reported)

Type of auditor's report issued on compliance for major programs:		qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.342	Preparing Tomorrow's Teachers to Use Technology
93.614	Child Development Associate Scholarships
Student Financial Aid Cluster of Programs:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u>X</u>	___

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	___
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Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Financial Statement Findings

No matters reported.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Federal Award Findings and Questioned Costs

Item: 01-1

CFDA Number: 84.342

Program: Preparing Tomorrow's Teachers to Use Technology

Agency: U.S. Department of Education

Award Years: September 15, 1999 to September 30, 2001

Award Number: P342A990211

Questioned Costs: N/A

Condition: The District did not establish internal control procedures to account for and document the District's required matching contributions to the program. The District was required to contribute to the project an amount from nonfederal sources equal to the amount of the grant. A line-item budget of the nonfederal contributions, prepared during the awarding process, was the only information maintained by the District. The District expended \$325,376 of federal monies during the fiscal year ended June 30, 2001. Reasonable assurance as to the District's compliance with the matching requirement could not be obtained because of the lack of sufficient documentation.

Recommendation: The District should establish internal control procedures that would provide the necessary documentation to support and substantiate the District's compliance with the program's matching requirements.

Item: 01-2

CFDA Numbers: 93.614

Program: Child Development Associate Scholarships

Agency: U.S. Department of Health and Human Services

Pass-through Entity: Arizona Department of Economic Security

Award Year: October 1, 2000 to September 30, 2001

Award Number: E5401399

Questioned Costs: N/A

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Condition: Subrecipients were not monitored for their respective responsibilities regarding eligibility. The District was unaware that OMB Circular A-133, Subpart D §.440 (d) (3) requires the pass-through entity to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. The District provided \$52,248 of federal awards to subrecipients.

Recommendation: In order to comply with the requirements set forth by OMB Circular A-133, subrecipient awards should be tested by the District for compliance related to eligibility.

District Responses

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2001

Item: 01-1

CFDA Number: 84.342

Program: Preparing Tomorrow's Teachers to Use Technology

Contact Person: Dennis Jenkins, Vice President, Finance and Administrative Services

Anticipated Completion Date: June 30, 2002

Corrective Action: The District is reviewing procedures and internal controls to account for and document the District's required matching contributions. The District will make the changes necessary to ensure matching requirements are adequately accounted for and documented.

Item: 01-2

CFDA Number: 93.614

Program: Child Development Associate Scholarships

Contact Person: Barbara Mezzio, Director for Early Care and Education

Anticipated Completion Date: July 1, 2002

Corrective Action: Procedures have been modified to ensure that sub-recipients are monitored regarding eligibility for funding and that documentation of eligibility is adequately maintained.

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2001

Status of Federal Award Findings and Questioned Costs

Finding Numbers: **99-2, 00-2**

CFDA Numbers: 84.063, 84.268, 84.033, and 84.007

Programs: Student Financial Aid Cluster of Programs

Status: Corrected